

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office
FLOOR DEBATE

February 11, 2003 LB 128

the customer's bank. Just for a little bit of background, it goes from the customer who deals with the merchant, the merchant then deals with the merchant's bank, the depository bank, which then sends the check to the payor bank, or the customer's bank, and then the demand draft goes back to the customer. Under current UCC law, the customer's bank is responsible for any item that it honors, except when it can prove that another party acted negligently or with knowledge of a forgery. In the case of demand drafts, there's no signature to review, making it difficult for the payor's bank, that being the customer's bank, to determine whether the customer authorized this draft. The provisions of LB 128 relating to demand drafts proposes to shift the burden of loss in demand draft cases from the payor bank to the depository bank, and that, in a very short explanation, is what LB 128 is meant to accomplish.

SENATOR CUDABACK: Thank you, Senator Quandahl. Members, if you could, the conversations get a little loud at times, so if you could please, the introducer would appreciate trying to hold your conversations down. Senator Beutler, on the motion to advance LB 128.

SENATOR BEUTLER: Senator Cudaback, members of the Legislature, Senator Quandahl, just a couple quick questions. Demand drafts is defined in the bill to...with some elaboration. Is a demand draft currently a negotiable instrument in Nebraska?

SENATOR QUANDAHL: Yes, it is.

SENATOR BEUTLER: Okay, but it's just being defined for the first time, even though you could negotiate them now?

SENATOR QUANDAHL: That's correct. That's correct.

SENATOR BEUTLER: Okay, so it doesn't change the law in any respect with regard to the validity of that kind of instrument.

SENATOR QUANDAHL: That's correct. You can currently, right now, you can actually authorize a demand draft on your own checking account that will go through. It doesn't actually have your signature on there, but it would have signature on file or